March 13, 2009	Energy (Oilfield Services)

Henry Fund Research

The University of Iowa
TIPPIE SCHOOL OF MANAGEMENT

Noble Corp (NE)

Investment Recommendation **BUY**

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Current Price **$24.37**
Target Price **$34.00**

Noble Corp. vs. S&P 500 Price Chart

Source: http://finance.yahoo.com

Key Stock Statistics

52-Week Price Range	$19.23-$68.93
Market Capitalization (B)	$6.41
Shares Outstanding (M)	261.5
Institutional Ownership	86.3%
60-Month Beta	1.04
Dividend Yield	.70%
Price/Earnings (ttm)	4.18
Price/Book	1.22
Price/Sales	1.87
ROA (ttm)	18.1%
ROE(ttm)	32.5%

EPS ($)

Year	2006	2007	2008	2009E	2010E	2011E
EPS	2.69	4.52	5.90	6.33	5.41	4.26

Valuation Models

Discounted Cash Flow	$34.23
Economic Profit	$34.23
Relative P/E	$26.71

INVESTMENT THESIS

We think the offshore drilling industry is entering a multiyear down cycle based on the current economic environment coupled with the large supply of speculative rigs entering the market over the next four years. This industry-wide headwind has the potential to reduce day rates by 40-50% from peak levels, and will weigh on company earnings into at least 2012. Despite the downtrend, Noble is well positioned to navigate this cycle, and we see the company maintaining its leadership status in this environment.

- (+) Noble has a backlog of contract work that will help offset dayrate declines. At December 31st, 2008, this backlog locked in 79%, 40% and 24% of the company's available operating days through 2011, respectively. Noble's backlog is better than many of its peers.
- (+) The company has a high quality set of operators that minimize the threat of counterparty risk to the company's backlog. Just 3% of Noble's operators are small independent operators who are more likely to default on a contract.
- (+) Noble is looking to acquire rigs in this poor operating environment. The company has $513mil cash, access to a $600mil credit facility and a relatively low debt level compared to peers.
- (-) Jackup rigs comprise 70% of the company's fleet. We believe the jackup segment will see more deterioration than the floating, deepwater segment of the market in this downturn.
- (-) Noble's new build program contains cancellation clauses that allow the operator to terminate the contract if the rig is not delivered on time. The *Dave Beard* was delivered late in early 2009, and Noble is negotiating penalty terms with the operator.
- (-) The *Globetrotter*, Noble's one speculative-built rig has added additional uncertainty to the company as it looks to find an operator for the rig upon completion in the second half of 2011.

EXECUTIVE SUMMARY

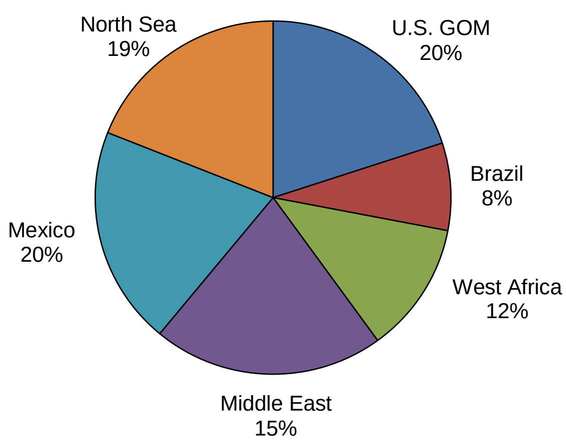
Shares of Noble Corp have underperformed the market over the past year, falling 53% versus a 38% decline in the S&P 500. We believe this selloff matches a poor operating environment for drillers given the current recession and credit crisis, as well as a large supply of incoming speculative new build rigs that will pressure industry earnings for years to come. However, we believe the market has oversold shares of Noble, and once the economic environment shows signs of stabilization, we think Noble shares could rally as much as 40% from current levels. Therefore, we have recommended a BUY rating on the stock with a six month price target of $34.

COMPANY DESCRIPTION

Noble Corp provides contract drilling services for the oil and gas industry worldwide. The company operates a fleet of 63 mobile offshore drilling units consisting of 43 jackups, 13 semisubmersibles, four drillships and three submersible rigs. The rig count includes five units under construction, including one premium jackup, one ultra-deepwater drillship and three deepwater semisubmersibles. Of the rigs under construction, all have acquired customer contracts to be executed upon completion except for the drillship, which was built on a speculative basis.

Noble operates in various regions around the world, with offices in the U.S, Canada, Switzerland, Nigeria, Mexico, The Netherlands, Brazil, Singapore, and the U.A.E. As of December 31st, 2008, the company had 6,000 employees.

Noble 2008 Drilling Revenues by Region



Source: Noble Co. Filings

In addition to the drilling segment, Noble also operates a labor services business. Currently the company provides contracted labor services for two non-owned rigs off the east coast of Canada through 2013. In 2008 these labor services generated less than 2% of the company's revenues. Noble exited a similar labor contract for 11 rigs in the North Sea and sold the contract for $35 million in 2008.

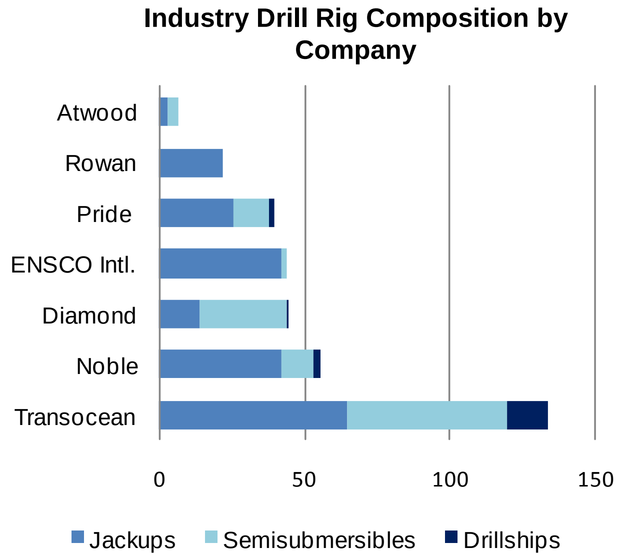
Historically, Noble has expanded by acquiring rigs or modifying and upgrading existing rigs. More recently the company has been expanding its fleet by constructing new technologically advanced deepwater rigs designed to meet the market's increasing demand for deepwater drilling. With the industry heading into a downturn, Noble has commented on the possibility of acquiring additional deepwater assets from its competitors.

Through previous cycles, Noble has employed a conservative approach to growth by only building rigs after first establishing a long term drilling contract with an operator for each new rig. With this strategy, Noble has outperformed many of its more aggressive peers, and in down cycles the company has acquired drilling units from its distressed competitors. In September of 2008, the company broke away from its long-running new build strategy when it announced the production of an uncontracted speculative drillship, the *Globetrotter*, which Noble expects to be completed in the second half of 2011. In addition, the company has priced options to purchase three additional *Globetrotter* class drillships, however Noble announced it will not consider pursuing these rigs until the original *Globetrotter* has been contracted.

Noble's change in company strategy has reduced our confidence in management looking forward. Along with its two larger peers Transocean and Diamond Offshore, Noble historically had prided itself on not pursuing speculative rigs that would add capacity and possibly reduce dayrates for the industry. While the *Globetrotter* may be a boost to earnings for the firm in the future, Noble has added a layer of risk to the company by considering speculative rigs in its future growth strategy.

INDUSTRY OVERVIEW AND OUTLOOK

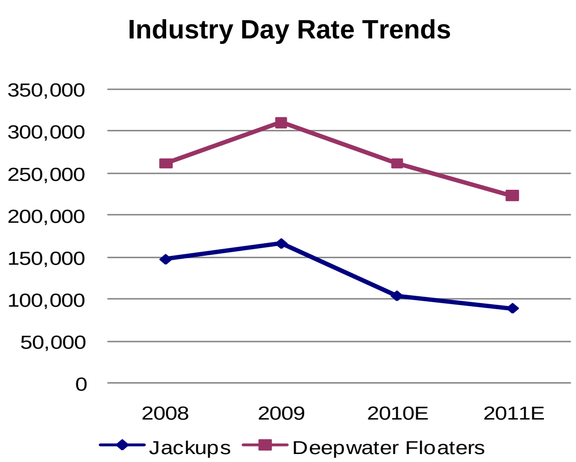
There are several large publicly traded firms in the U.S. that own roughly 60% of the currently operable world-wide mobile drilling rigs[1]. The remaining 40% are owned by smaller drilling companies, service companies and oil producers around the world.



Source: rigzone.com

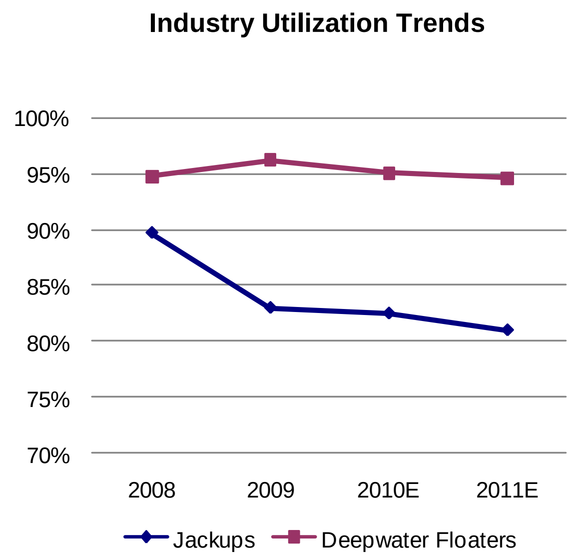
Drilling rigs are generally priced at a daily rate for a specific duration from one day up to years at a time depending on the needs of the client and market conditions. Demand for drilling is a function of overall market exploration and production, which over time is heavily influenced by the price of oil and the fundamentals of the energy market. During drilling booms, operators lock in rigs for longer periods of time, guaranteeing the operator a rig for work while drilling conditions are favorable. In down cycles, operators prefer short contracts as they can roll projects into cheaper drilling contracts as rates decline.

Drilling companies bid on projects required by oil producers, and this process forces drillers to compete primarily on price. Day rates are determined based on the supply of rigs available, the geographic location of the drill site, and the type of rig required for a project.



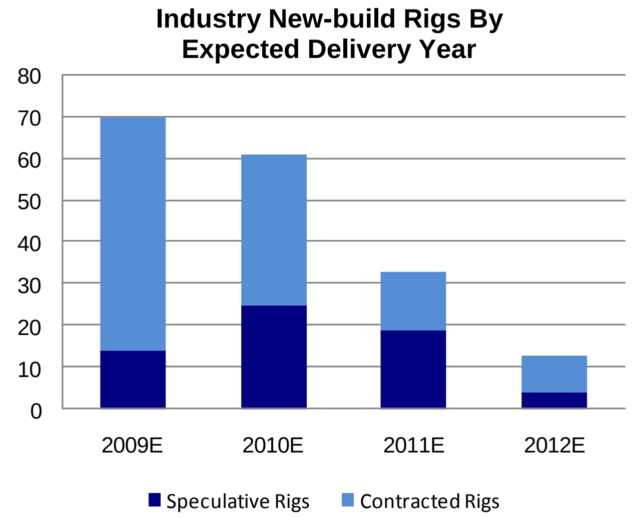
Source: ODS Petrodata and RBC Capital Markets for 2010-2011 estimates

Utilization measures the percentage of active days worked per rig for a company. The utilization rate can decline if rigs are docked for maintenance or upgrades, or if drilling demand declines and rigs sit idle. We expect industry utilization to remain strong for floating rigs throughout the cycle due to continued demand for deepwater drilling, but see weakness in the jackup market as the incoming speculative rigs will have more of an impact on this segment.



Source: ODS Petrodata and RBC Capital Markets for 2010-2011 estimates

The commodities boom that carried into the summer of 2008 boosted demand for drilling and created a rig shortage. This shortage sent dayrates soaring and encouraged drillers and producers to sign long term contracts for existing rigs and for the construction of new build rigs. Additionally, many speculative rigs were built without guarantees of contracted work upon completion. Noble management estimates that of the 170 shipyard commitments for rigs, at least half of the rigs are being built on a speculative basis[2]. Over the next four years, the total rig count for the industry will increase from a base of 590 rigs to almost 800 by the end of 2012, a total increase of 35%.



Source: Rigzone.com

In July 2008, the run up in commodities ended abruptly. Commodity prices plunged as growth around the world slowed and the U.S. entered a financial crisis, followed by the current global recession. This extreme shift in the energy markets has created a poor environment for exploration and production activities: Operators are locked into record high drilling contracts, but crude oil is trading at just $45 a barrel, nearly $100 off its all time high. In addition, the large amount of speculative rigs under construction that will enter in the market over the next four years will put stiff supply-side pressure on drilling rates.

We think the combination of the poor economic environment and the expected decline in drilling fundamentals will lead to a multiyear downturn for the offshore drilling industry. Several drillers in the industry have large contract backlogs, but these backlogs can only delay future day rate declines. Many of the speculative new builds will enter the market as these backlogs unwind, putting pressure on rates as new builds and existing rigs alike compete for new drilling contracts. In a worst case scenario, we believe day rates could decline as much as 70-80%[3] from peak levels based on a previous downturn experienced in the early 1980's.

There are three standard rigs in the industry[4]:

- Jackup Rig
- Semisubmersible Rig
- Drillship

Jackup Rig

A self-contained combination drilling rig and floating barge, fitted with long support legs that can be raised or lowered. Jackup legs can be independent cantilevered, where they move independent of the other legs. Or, the legs can be mat levered, where all three legs move as one unit. Mat levered jackups are less versatile than independent cantilevered rigs as they can only operate over relatively flat terrain on the ocean floor. A jackup is towed onto location with its legs up and the barge section floating on the water. Upon arrival at the drilling location, the legs are jacked down onto the seafloor, raising the barge and drilling structure out of the water so that wave, tidal and current loading acts only on the relatively small legs and not the bulky barge and drilling package.

Since jackup rigs are anchored to the ocean floor, they cannot safely operate in depths beyond 400 feet. However, jackup rigs are the least expensive of the three rig types, with a new rig pricing between $100 million and $250 million. A standard jackup can be produced in 1 - 2 years. Daily operating costs can range from $20,000 per day up to $80,000 per day depending on the size, age and the operator's efficiency in managing the rig.

Semisubmersible Rig

A particular type of floating vessel that is supported primarily on large pontoon-like structures submerged below the sea surface. The operating decks are elevated perhaps 100 or more feet above the pontoons on large steel columns. This design has the advantage of submerging most of the area of components in contact with the sea and minimizing loading from waves and wind. Semisubmersibles can operate in a wide range of water depths, including deep water. They are usually anchored with six to twelve anchors tethered by strong chains and wire cables, which are computer controlled to maintain station keeping.

Semisubmersibles can operate in water depths up to 12,000 feet and take two or more years to build. Deepwater semisubmersibles cost between $300 million and $600 million to build.

Drillship

A maritime vessel modified to include a drilling rig and special station-keeping equipment. The vessel is typically capable of operating in deep water. A drillship must stay relatively stationary on location in the water for extended periods of time. This positioning may be accomplished with multiple anchors, dynamic propulsion (thrusters) or a combination of these. Drillships typically carry larger payloads than semisubmersible drilling vessels, but their motion characteristics are usually inferior.

Since drillships are self propelled, they can be repositioned much quicker than other rig types. The latest generation of drillships can operate in depths up to 12,000 feet but is the most expensive rig to produce. Current drillships under production have been priced between $600 million and $800 million and can take up to four years to construct.

Semisubmersibles and drillships are commonly referred to as "floaters" because they freely float on a body of water, unlike a jackup which must be anchored. Operating costs for the floating rig segments range widely from $50,000 a day to more than $150,000 a day depending on the rig's age, capabilities and the operator's efficiency.

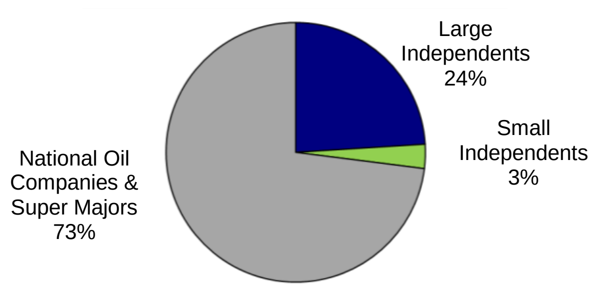
RECENT DEVELOPMENTS

Heightened Counterparty Risk

The poor economic environment has added a high degree of counterparty risk for the industry as several drilling contracts have been broken in recent months. In December of 2008, Oilexco, a small exploration and production (E&P) company went bankrupt, ending one contract with Transocean and another with Diamond Offshore. In January 2009, Burgundy Global and Callon Petroleum, both small E&P firms, reneged on contracts with Transocean[5].

Thus far Noble has not experienced any contract cancellations. Given Noble's customer base of large independent, national and super major firms, it seems unlikely that the company will see any outright cancellations that would threaten the company's contract backlog.

Noble Approximate Backlog Composition by Customer Type



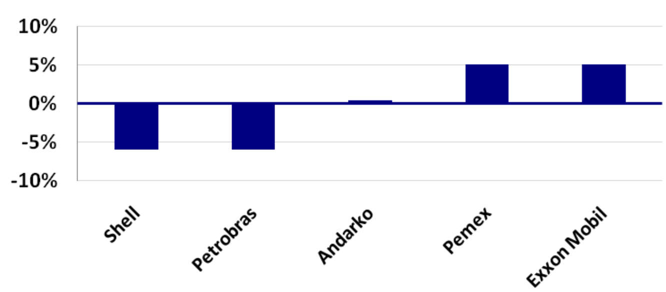
Source: Noble 03-04-2009 Investor Presentation

Noble also has cancellation risk within its new build program. If Noble fails to deliver its rigs by an established delivery date, the operator has the right to terminate the contract. While Noble management is confident it will meet future delivery dates for rigs, one semisubmersible rig the *Dave Beard* was recently delivered late due to shipyard delays, missing its December 2008 target date. The operator Petrobras did take delivery, due to the attractive dayrate contracted on the rig. Noble and Petrobras are currently negotiating a penalty to be paid for missing the production deadline[6]. Given the expensive rates and long durations contracted on Noble's existing new builds, we see up to 20% of Noble's $11 billion backlog at risk if the company's new builds are cancelled due to failure of delivery.

Decline in E&P Spending Adding to Downturn

According to Barclay Capital's *Original E&P Spending Survey*, global exploration and production expenditures are expected to decline 12% in 2009, following six straight years of high single and double digit growth in expenditures[7]. This decline in spending will impact all areas of the energy services industry. However, as many of the offshore drilling industry's customers are large companies with fairly stable capital expenditures, we expect offshore drillers to be less impacted than other areas of the energy services industry.

2009 Annual Change in Capital Expenditures for Noble's Top Five Customers



Source: Barclay's 2009 E&P Spending Survey

It is worth noting that the tight credit markets have played a role in reducing capital investment in 2009. According to the spending survey, 30 percent of the E&P companies surveyed indicated that the challenging credit market conditions have affect capital expenditure plans this year, with 42 percent of respondents anticipating that credit market conditions may affect spending during 2009.

Redomestication to Switzerland

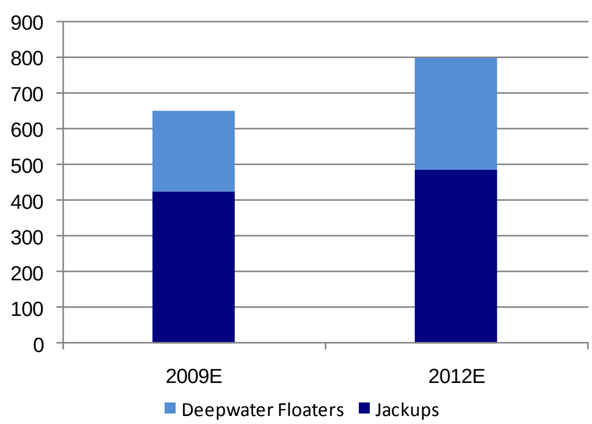
On March 17th 2009, Noble shareholders will vote on a proposition to change the company's place of incorporation from the Cayman Islands to Switzerland. This proposed move follows rival Transocean and several other energy services firms including Foster Wheeler and Weatherford International who have already reincorporated to Switzerland. By moving to Switzerland, Noble can maintain a low and predictable effective tax rate by avoiding any potential changes to the U.S. corporate tax policy.

One downside to this change is that Noble would be removed from the S&P 500, which has already or may put downward pressure on Noble's shares. This change would leave Rowan and Diamond Offshore as the only two offshore drillers in the index.

INDUSTRY TRENDS

As the oil industry looks to replace existing mature fields and grow reserves, producers have been forced to drill in deeper water and at greater depths. This trend is reflected in the current construction backlog of new drilling rigs that will enter the market over the next few years. Many of the new orders are for ultra deepwater drillships and semisubmersibles, or floaters, can drill in depths up to 12,000 feet, versus the current generation of floaters that in general, cannot operate beyond 7,000 feet.

2009 - 2012 Expected Change in Industry Rig Composition



Source: rigzone.com

As the industry continues to hunt for oil and natural gas reserves, better technology will be needed to overcome the geological challenges that arise from operating in harsh climates and at greater depths. The Brazilian deepwater Tupi Field for example, holds an estimated 5-8 billion barrels of oil, but is located beneath a salt block one mile in depth with temperatures exceeding 500 degrees Fahrenheit[8]. Currently, the market lacks technology that would make drilling in the Tupi field economically feasible at recent oil prices. As global reserves shrink, we see technology playing a vital role in accessing additional energy sources.

One example of a new technological advancement is the dual activity technology created by Transocean. Dual activity utilizes two individual drilling stations that carry out parallel operations within one derrick. According to the company, this technology has cut project development costs by 40% for its operators. Transocean has three drillships currently equipped with this dual activity technology, and five of the company's ten drillships under construction will be dual activity rigs[9].

MARKETS AND COMPETITION

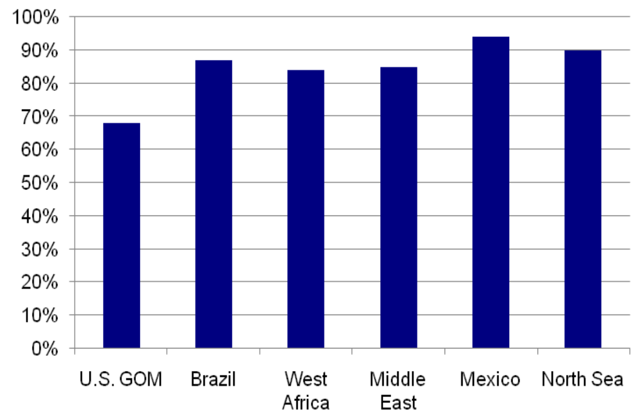
Since drilling firms compete primarily on the basis of price for drilling work, individual firms try to avoid direct competition and instead have sought ways to differentiate themselves from one another. Most firms have built relationships with a small number of significant clients, and these clients can easily account for 50-60% of revenues. For Noble, Pemex, Mexico's National oil company alone accounted for 20% of revenues in 2008[2].

These relationships benefit both the operator and driller as both partners expand together. The driller benefits from having a customer who is more willing to commit for long term contracts and allow for the construction of new rigs. The operator sees gains in efficiency by having a driller familiar with the firm's technical requirements and that has been reliable and safe in the past. Over time, negotiating power shifts depending on market conditions. In recent years drillers have held some negotiating power over operators as demand outstripped supply, but we see this reversing with the large number of rigs entering the market in the near future.

Strategically, companies also position themselves for growth by anticipating future demand. In the short term, drillers move rigs around the world in search of strong demand for drilling and higher day rates. Currently the market is experiencing strong utilization in Brazil, Mexico and the North Sea. Looking forward, we expect a large number of rigs to come off contracts this year in the Middle East and West Africa, which will reduce utilization in this environment as many of these rigs will be idled, or cold-stacked. We think Brazil and Mexico will see better utilization than other regions due to strong demand for rigs from Petrobras and PEMEX.

Noble has significant exposure to these weak areas. Noble has 14 jackup rigs in the Middle East and five rigs in West Africa. Already, three of these rigs have been idled in Africa. ENSCO and Transocean also have several rigs in these weak regions as well that will roll off contracts in the near future. ENSCO is operating ten jackup rigs in the Middle East, and currently has two rigs idled. Transocean has 13 jackup rigs in West Africa with four of these rigs sitting idle.

Regional Industry Utilization
As of 3-12-09



Source: rigzone.com

Over longer periods of time, drillers acquire rigs based on the needs of their clients. More recently the industry has seen a shift towards ultra deepwater semisubmersibles and drillships, as well as greater demand for durable rigs built for operating in harsh environments.

With 44 jackup rigs totaling 70% of the company's assets, Noble has a large exposure to this segment of the drilling industry. We expect the jackup market to fare worse than the market for floater rigs in this downturn, experiencing greater declines in dayrates and lower utilization rates. In addition, we see less long term growth potential for the jackup market, due to the limited depths a jackup rig can operate in and expectations for slower shallow water reserve growth over the next decade.

Given the poor outlook for the drilling industry, we believe drillers best positioned to financially navigate this environment will be more likely to outperform their peers into the next up cycle. We think Noble is in an excellent financial position to weather the downturn and possibly make select rig acquisitions due to the company's relatively small amount of debt and the company's access to over $1.1 billion of cash. Other well positioned companies include Diamond Offshore and ENSCO.

Due to its merger with Global Santa Fe, Transocean is the largest company in the industry with a market cap of $17.8 billion. We think the debt carryover from this acquisition will force Transocean to be less aggressive while it conserves cash to pay down debt. This will cost the company the opportunity to acquire new build rigs from distressed competitors as the drilling environment declines.

Competitor Liquidity Analysis
As of 3-12-09

Major Market Players	Total Accessible Cash *	Total Debt	% Due Within 3 yrs	Debt to Cap
Transocean	$1,088	$14,186	51.4%	79.5%
Diamond Off.	$1,022	$655	27.8%	8.1%
Noble	$1,113	$923	18.7%	14.3%
ENSCO	$1,140	$274	38.1%	7.5%
Pride	$1,013	$723	12.6%	23.1%
Rowan	$377	$497	44.6%	34.3%
Atwood	$501	$170	12.3%	17.4%

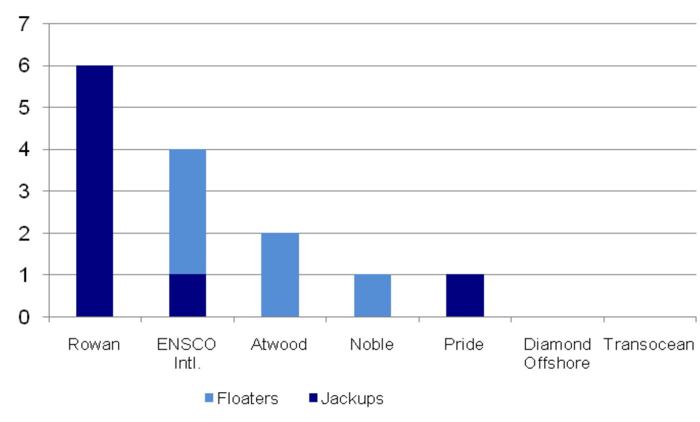
Source: Company Filings

* Total Accessible Cash includes cash on hand and undrawn credit facilities

Companies that are bringing speculative uncontracted rigs into the market will also carry a lot of risk through this down cycle. Noble is building the *Globetrotter* on a speculative basis, and the company retains the option to purchase three additional *Globetrotter*-class rigs. Two of these options expire in late March.

In Noble's peer group, certain firms have more direct exposure to this speculative new build risk than others; ENSCO and Rowan are carrying the greatest speculative new build risk. Of the three largest firms, Transocean and Diamond Offshore have no speculative exposure.

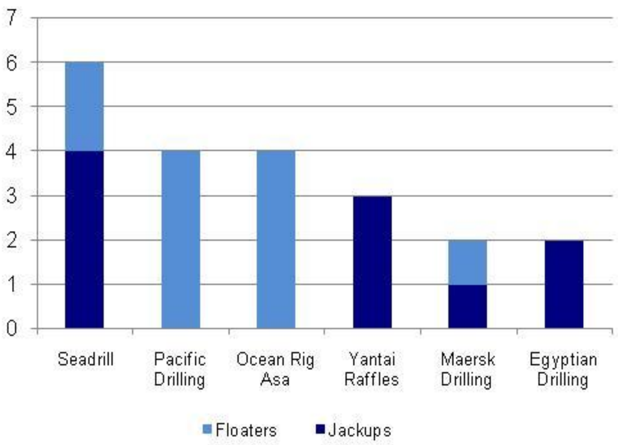
Speculative Rig Count:
Peer Group



Source: Company Filings

Besides ENSCO and Rowan, the major speculative competitors in the offshore drilling industry include a diverse number of international firms and several companies that own just one or two uncontracted rigs.

Speculative Rig Count: Other Competitors



Source: rigzone.com

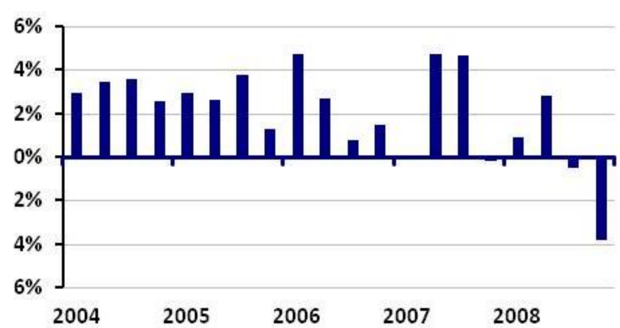
Following a multi-year boom in commodities, the current global recession has greatly reduced the demand for many commodities around the world. Light crude oil has fallen from a peak of $145 a barrel in July 2008 and in December reached a low of $30 a barrel. In order to offset falling demand, OPEC announced plans to reduce oil production by 4.2 million barrels a day[10], and in response oil has rebounded to $45 a barrel. We look for oil to trade in a range of $45 - $50 a barrel through the end of 2009.

Source: Futuresource.com

ECONOMIC OUTLOOK

The near-term outlook for the US economy is negative. Real GDP growth declined in the fourth quarter of 2008 at an annual rate of 6.3%, following a decline of .5% in the third quarter, amid further weakness in consumer spending and the housing sector. We expect GDP to remain negative through the first half of 2009, and following the weaker year over year comparison figures, we think second half 2009 GDP will rebound to a slightly positive annualized rate.

U.S. Real GDP
Change in Adjusted Annual Rate



Source: bea.gov

Activity in the energy services industry is measured by the health of the overall energy sector. We believe the energy sector will improve as energy prices recover and stabilize and as credit markets improve. Both factors will improve visibility for the sector and promote exploration and production activity that will benefit the services industry.

CATALYSTS FOR GROWTH

- Noble is well positioned to weather the economic downturn with $513m cash, access to a $600m credit facility and lower than average debt compared to peers. As suggested by company management, we think Noble is likely to acquire new build assets from distressed peers, and these assets will help boost earnings as the industry recovers.

- As E&P companies seek to replace mature, declining fields with new reserves, operators are continually moving into deeper water. Following its customers, the drilling industry has shifted its focus toward deepwater drilling. Noble's new build program includes four deepwater rigs which will help the company benefit from this trend.

INVESTMENT POSITIVES

- The uncontracted *Globetrotter*-class drillship has the potential to add upside to the stock if, and when Noble is able to secure a contract for this new build. If exercised, Noble's options to build three additional Globetrotter-class rigs would give the company even greater exposure to the deepwater segment.

- Noble has a contract backlog that we think will increase 2009 revenues 8% year over year. Noble's backlog has made the company less susceptible to immediate declines in dayrate pricing.

- The majority of Noble's customers are national oil, super major and large independent companies. We think the company has a low risk of counterparty cancellation, making Noble's backlog safer than many of its peers.

INVESTMENT NEGATIVES

- The *Globetrotter* may prove to be a major liability if Noble cannot secure a drilling contract for this rig. We think it is reasonable to assume Noble will find demand for the *Globetrotter* based on deepwater drilling trends, but the uncertainty will weigh on the stock until a contract is signed.

- Noble management strayed from its long-time conservative strategy when it ordered an uncontracted, speculative new build rig. We have less confidence in management looking forward.

- The company's backlog is at risk due to cancellation provisions in Noble's new build contracts. With up to 20% of Noble's backlog tied to new build contracts, we view this as a serious threat to the company's backlog.

VALUATION

We estimate Noble's revenues and earnings will increase 8% this year due to the company's backlog of higher contracted dayrates. Based on our belief that the offshore drilling industry is beginning a multiyear down cycle, in 2010 Noble's revenues and earnings will decline substantially over the next three years. We think dayrates will fall 30% from peak levels and utilization rates will decline to a company average of 85% by 2012. We expect demand to hold for deepwater rigs throughout the cycle, and see dayrates and utilization weakening the most in the jackup segment. Given the growth in rig count over the next few years, we think the offshore labor market will tighten, causing us to increase Noble's operating expenses going forward.

Modeling these conservative assumptions into DCF and EP models, we arrive at a target price of $34 for Noble Corp. With Noble's shares currently trading at a significant discount to fair value, we think the market has overreacted to the anticipated shift in fundamentals and poor current environment for drillers. Based on this overreaction and subsequent selloff in Noble, we have placed a BUY recommendation on the stock.

Despite our BUY rating on Noble, if specific events materialize, we would consider changing our rating to HOLD or SELL:

- If the *Danny Adkins*, Noble's most current new build due in July 2009, fails to be delivered on time and the customer terminates the contract.

- If Noble's management strays further from its conservative approach and fails to execute on the Globetrotter or additional speculative rigs.

- Should dayrates or utilization rates fall further than expected.

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10. OPEC.org - OPEC NEWS

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Noble Corp.
Key Assumptions of Valuation Model

Current Share Price	$24.37	As of 3/13/09
Shares Outstanding	261,500	Taken from Noble Corp's 2008 Annual Report
Market Capitalization	$6,372,755	As of 3/13/09
Effective Tax Rate	19.0%	Calculated using 2008 10-K tax information
Normal Cash as % of Sales	4.5%	Based on 5 year historical average, excluding outliers
Risk Free Rate	3.67%	30 year T-Bond, taken from Bloomberg on 3/13/09
Market Risk Premium	5.00%	Henry Fund consensus estimate
Beta	1.29	Taken from Bloomberg, 3 year weekly vs. S&P 500
Cost of Debt, after tax	6.03%	Calculated on the WACC page
Cost of Equity	10.12%	Calculated on the WACC page
WACC	9.59%	Calculated on the WACC page
CV Growth Rate	2.00%	Conservative growth estimate

DCF Target	$34.23
EP Target	$34.23
Relative P/E Target	$26.71

Noble Corp.
Revenue Forecast
Fiscal Years Ending December 31

Active Rig Count	2009E	2010E	2011E	2012E	2013E	2014E	CV
Deepwater Floaters (7k ft+)	7	8	9	10	10	10	10
Standard Floaters (Sub 7k ft)	7	7	7	7	7	7	7
Premium Jackups (350 ft+)	8	8	8	8	8	8	8
Mid-Range Jackups (300-350 ft)	21	21	21	21	21	21	21
Low-End Jackups (Sub 300 ft)	14	14	14	14	14	14	14
Submersibles	3	3	3	3	3	3	3

Average Day Rates (in thousands)	2009E	2010E	2011E	2012E	2013E	2014E	CV
Deepwater Floaters (7k ft+)	328.71	390.63	298.56	268.90	294.43	316.85	323.67
Standard Floaters (Sub 7k ft)	407.71	423.86	326.02	297.14	306.27	314.79	329.12
Premium Jackups (350 ft+)	152.88	123.38	109.38	100.00	107.82	110.41	113.69
Mid-Range Jackups (300-350 ft)	118.48	100.62	83.38	82.00	87.95	96.75	102.65
Low-End Jackups (Sub 300 ft)	125.21	76.50	73.57	70.00	74.36	70.00	70.00
Submersibles	59.33	57.00	57.00	57.00	57.00	57.00	57.00

Utilization Rate	2009E	2010E	2011E	2012E	2013E	2014E	CV
Deepwater Floaters (7k ft+)	96%	95%	95%	95%	95%	95%	95%
Standard Floaters (Sub 7k ft)	95%	93%	93%	93%	95%	95%	95%
Premium Jackups (350 ft+)	94%	90%	90%	90%	92%	94%	94%
Mid-Range Jackups (300-350 ft)	90%	85%	80%	80%	87%	87%	90%
Low-End Jackups (Sub 300 ft)	85%	70%	75%	75%	78%	83%	85%
Submersibles	80%	80%	80%	80%	80%	80%	80%

Total Operating Days	2009E	2010E	2011E	2012E	2013E	2014E	CV
Deepwater Floaters (7k ft+)	2,453	2,774	3,121	3,468	3,468	3,468	3,468
Standard Floaters (Sub 7k ft)	2,427	2,376	2,376	2,376	2,427	2,427	2,427
Premium Jackups (350 ft+)	2,745	2,628	2,628	2,628	2,686	2,745	2,745
Mid-Range Jackups (300-350 ft)	6,899	6,515	6,132	6,132	6,669	6,669	6,899
Low-End Jackups (Sub 300 ft)	4,344	3,577	3,833	3,833	3,986	4,241	4,344
Submersibles	876	876	876	876	876	876	876

Contract Drilling Revenue	2009E	2010E	2011E	2012E	2013E	2014E	CV
Deepwater Floaters (7k ft+)	806,260	1,083,608	931,731	932,411	1,020,936	1,098,677	1,122,326
Standard Floaters (Sub 7k ft)	989,614	1,007,155	774,672	706,049	743,394	764,074	798,857
Premium Jackups (350 ft+)	419,625	324,243	287,451	262,800	289,648	303,053	312,056
Mid-Range Jackups (300-350 ft)	817,334	655,564	511,286	502,824	586,499	645,182	708,131
Low-End Jackups (Sub 300 ft)	543,850	273,641	281,957	268,275	296,384	296,891	304,045
Submersibles	51,973	49,932	49,932	49,932	49,932	49,932	49,932
Total Contract Drilling Revenue	$3,628,656	$3,394,142	$2,837,029	$2,722,291	$2,986,793	$3,157,810	$3,295,347

Noble Corp.
Annual Income Statement
(in thousands)

	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	CV
Revenues										
Contract drilling services revenue	1,924,640	2,714,250	3,298,850	3,628,656	3,394,142	2,837,029	2,722,291	2,986,793	3,157,810	3,295,347
Reimbursables revenue	92,354	121,241	90,849	88,124	79,311	83,277	84,110	84,951	89,198	93,658
Labor contract drilling services revenue	73,548	156,508	55,078	45,715	47,086	48,499	49,954	51,452	52,996	54,586
Engineering, consulting & other revenue	9,697	3,312	1,724	0	0	0	0	0	0	0
Total revenues	2,100,239	2,995,311	3,446,501	3,762,494	3,520,540	2,968,805	2,856,354	3,123,196	3,300,004	3,443,590
Operating costs and expenses										
Contract drilling services	725,707	880,049	1,011,882	1,166,373	1,196,983	979,706	942,597	1,030,655	1,072,501	1,101,949
Reimbursables	79,520	105,952	79,327	74,905	67,415	70,785	71,493	72,208	75,818	79,609
Labor contract drilling services	61,910	125,624	42,573	39,315	39,082	40,254	41,462	42,705	43,987	45,306
Engineering, consulting & other expense	16,779	17,520	0	0	0	0	0	0	0	0
Depreciation & amortization	253,325	292,987	356,658	414,083	471,155	520,533	572,133	626,512	686,148	746,536
Selling, general & administrative expense	46,272	85,831	74,143	77,131	82,733	66,798	59,983	64,026	64,350	67,150
Hurricane losses & recoveries, net	-10,704	-3,514	10,000	-7,525	-7,041	-5,938	-5,713	-6,246	-6,600	-6,887
(Gain) loss on sale of property & equipment	0	0	-36,485	0	0	0	0	0	0	0
Total operating costs & expenses	1,172,809	1,504,449	1,538,098	1,764,282	1,850,326	1,672,139	1,681,955	1,829,859	1,936,205	2,033,663
Operating income (loss)	927,430	1,490,862	1,908,403	1,998,212	1,670,213	1,296,666	1,174,399	1,293,337	1,363,799	1,409,927
Interest expense, net of amount capitalized	16,167	13,111	4,388	15,699	10,029	10,338	10,656	10,985	11,406	11,675
Interest income and other, net	10,024	11,151	8,443	3,762	3,168	2,672	2,571	2,811	2,970	3,099
Income (loss) before taxes	921,287	1,488,902	1,912,458	1,986,276	1,663,353	1,289,001	1,166,314	1,285,162	1,355,363	1,401,351
Total income tax provision (benefit)	189,421	282,891	351,463	377,392	316,037	244,910	221,600	244,181	257,519	266,257
Net income (loss)	731,866	1,206,011	1,560,995	1,608,883	1,347,316	1,044,090	944,714	1,040,982	1,097,844	1,135,095
Net income per share	**2.69**	**4.52**	**5.90**	**6.33**	**5.41**	**4.26**	**3.92**	**4.38**	**4.68**	**4.89**
Analyst Average Estimate				6.50	6.12	5.86	4.26			
Analyst Low Estimate				5.49	3.96	2.45	2.90			
Analyst High Estimate				7.40	7.19	7.75	5.37			
Dividends per share	0.08	0.12	0.91	0.17	0.18	0.20	0.21	0.24	0.26	0.28
Shares Outstanding	269,184	268,223	261,500	254,077	249,271	244,979	241,154	237,752	234,735	232,067

Noble Corp.
Common Size Income Statement
Fiscal Years Ending December 31

	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	CV
Revenues										
Contract drilling services revenue	91.6%	90.6%	95.7%	96.4%	96.4%	95.6%	95.3%	95.6%	95.7%	95.7%
Reimbursables revenue	4.4%	4.0%	2.6%	2.3%	2.3%	2.8%	2.9%	2.7%	2.7%	2.7%
Labor contract drilling services revenue	3.5%	5.2%	1.6%	1.2%	1.3%	1.6%	1.7%	1.6%	1.6%	1.6%
Engineering, consulting & other revenue	0.5%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses										
Contract drilling services	34.6%	29.4%	29.4%	31.0%	34.0%	33.0%	33.0%	33.0%	32.5%	32.0%
Reimbursables	3.8%	3.5%	2.3%	2.0%	1.9%	2.4%	2.5%	2.3%	2.3%	2.3%
Labor contract drilling services	2.9%	4.2%	1.2%	1.0%	1.1%	1.4%	1.5%	1.4%	1.3%	1.3%
Engineering, consulting & other expense	0.8%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation & amortization	12.1%	9.8%	10.3%	11.0%	13.4%	17.5%	20.0%	20.1%	20.8%	21.7%
Selling, general & administrative expense	2.2%	2.9%	2.2%	2.1%	2.4%	2.3%	2.1%	2.1%	2.0%	2.0%
Hurricane losses & recoveries, net	-0.5%	-0.1%	0.3%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
Gain (loss) on sale of property & equipment	0.0%	0.0%	-1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total operating costs & expenses	55.8%	50.2%	44.6%	46.9%	52.6%	56.3%	58.9%	58.6%	58.7%	59.1%
Operating income (loss)	44.2%	49.8%	55.4%	53.1%	47.4%	43.7%	41.1%	41.4%	41.3%	40.9%
Interest expense, net of amount capitalized	0.8%	0.4%	0.1%	0.4%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%
Interest income and other, net	0.5%	0.4%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Income (loss) before taxes	43.9%	49.7%	55.5%	52.8%	47.2%	43.4%	40.8%	41.1%	41.1%	40.7%
Total income tax provision (benefit)	9.0%	9.4%	10.2%	10.0%	9.0%	8.2%	7.8%	7.8%	7.8%	7.7%
Net income (loss)	34.8%	40.3%	45.3%	42.8%	38.3%	35.2%	33.1%	33.3%	33.3%	33.0%

Noble Corp.
Annual Balance Sheet
(in thousands)

	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	CV
Current Assets										
Cash & cash equivalents	61,710	161,058	513,311	188,125	158,424	133,596	128,536	140,544	148,500	154,962
Excess cash	0	0	0	493,682	1,080,228	1,335,623	1,393,763	1,687,435	1,468,222	1,577,326
Accounts receivable	408,241	613,115	644,840	752,499	704,108	593,761	571,271	624,639	660,001	688,718
Insurance receivables	54,191	39,066	13,516	37,625	35,205	29,688	28,564	31,232	33,000	34,436
Inventories	4,461	3,814	0	0	0	0	0	0	0	0
Prepaid expenses	20,491	20,721	21,207	30,100	28,164	23,750	22,851	24,986	26,400	27,549
Other current assets	20,886	22,417	47,467	37,625	35,205	29,688	28,564	31,232	33,000	34,436
Total current assets	569,980	860,191	1,240,341	1,539,655	2,041,335	2,146,106	2,173,547	2,540,067	2,369,123	2,517,426
Gross property & equipment	5,287,347	6,434,951	7,528,780	8,741,280	9,854,480	11,052,380	12,349,863	13,801,458	15,322,570	16,900,096
Accumulated depreciation	1,428,954	1,639,035	1,886,231	2,300,314	2,771,469	3,292,002	3,864,135	4,490,646	5,176,795	5,923,331
Property & equipment, net	3,858,393	4,795,916	5,642,549	6,440,966	7,083,011	7,760,378	8,485,728	9,310,811	10,145,775	10,976,765
Other assets	157,541	219,899	219,441	289,843	318,735	349,217	381,858	418,987	456,560	493,954
Total assets	4,585,914	5,876,006	7,102,331	8,270,465	9,443,082	10,255,701	11,041,133	12,269,865	12,971,458	13,988,146
Current Liabilities										
Current maturities of long-term debt	9,629	10,334	172,698	11,831	12,660	13,546	14,494	299,837	16,594	17,756
Accounts payable	196,111	198,395	259,107	301,000	281,643	237,504	228,508	249,856	264,000	275,487
Accrued payroll & related costs	93,251	115,914	75,449	112,875	105,616	89,064	85,691	93,696	99,000	103,308
Taxes payable	52,793	85,641	107,211	113,218	94,811	73,473	66,480	73,254	77,256	79,877
Interest payable	9,683	9,951	11,325	9,009	6,937	7,145	7,360	7,580	7,808	8,042
Other current liabilities	64,793	72,537	53,203	67,725	77,452	65,314	62,840	68,710	72,600	75,759
Total current liabilities	426,260	492,772	678,993	615,658	579,119	486,046	465,372	792,933	537,258	560,229
Long-term debt	684,469	774,182	750,789	578,091	595,434	613,297	631,696	650,647	670,166	690,271
Deferred income taxes	219,521	240,621	265,018	275,070	285,122	295,174	305,226	315,278	325,330	335,382
Other liabilities	34,019	65,705	121,284	128,561	136,275	144,451	153,118	162,305	172,044	182,366
Total liabilities	1,364,269	1,573,280	1,816,084	1,597,380	1,595,949	1,538,968	1,555,412	1,921,163	1,704,798	1,768,248
Commitments and contingencies										
Minority interest	-7,348	-5,596	-4,468	-4,135	-3,846	-3,576	-3,326	-3,093	-2,877	-2,675
Shareholders' Equity										
Common Stock	1,052,945	906,316	742,427	760,331	780,046	801,757	825,665	851,993	880,985	912,910
Treasury Stock (share repurchases)	-325,814	-521,611	-835,733	-1,035,733	-1,185,733	-1,335,733	-1,485,733	-1,635,733	-1,785,733	-1,935,733
Retained earnings	2,521,738	3,928,684	5,441,278	7,008,161	8,310,537	9,306,542	10,199,804	11,184,703	12,221,979	13,291,659
Accumulated other comprehensive income (loss)	-19,876	-5,067	-57,257	-55,539	-53,873	-52,257	-50,689	-49,169	-47,693	-46,263
Total shareholders' equity	3,228,993	4,308,322	5,290,715	6,677,220	7,850,978	8,720,309	9,489,047	10,351,795	11,269,537	12,222,573

Noble Corp.
Common Size Balance Sheet
Fiscal Years Ending December 31

	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	CV
Current Assets										
Cash & cash equivalents	2.9%	5.4%	14.9%	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Excess cash	0.0%	0.0%	0.0%	13.1%	30.7%	45.0%	48.8%	54.0%	44.5%	45.8%
Investments in marketable securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	19.4%	20.5%	18.7%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Insurance receivables	2.6%	1.3%	0.4%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Inventories	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid expenses	1.0%	0.7%	0.6%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Other current assets	1.0%	0.7%	1.4%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total current assets	27.1%	28.7%	36.0%	40.9%	58.0%	72.3%	76.1%	81.3%	71.8%	73.1%
Gross property & equipment	251.7%	214.8%	218.4%	232.3%	279.9%	372.3%	432.4%	441.9%	464.3%	490.8%
Accumulated depreciation	68.0%	54.7%	54.7%	61.1%	78.7%	110.9%	135.3%	143.8%	156.9%	172.0%
Property & equipment, net	183.7%	160.1%	163.7%	171.2%	201.2%	261.4%	297.1%	298.1%	307.4%	318.8%
Investment in & advances to joint ventures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investments in marketable securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other assets	7.5%	7.3%	6.4%	7.7%	9.1%	11.8%	13.4%	13.4%	13.8%	14.3%
Total assets	218.4%	196.2%	206.1%	219.8%	268.2%	345.4%	386.5%	392.9%	393.1%	406.2%
Current Liabilities										
Current maturities of long-term debt	0.5%	0.3%	5.0%	0.3%	0.4%	0.5%	0.5%	9.6%	0.5%	0.5%
Accounts payable	9.3%	6.6%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Accrued payroll & related costs	4.4%	3.9%	2.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Taxes payable	2.5%	2.9%	3.1%	3.0%	2.7%	2.5%	2.3%	2.3%	2.3%	2.3%
Interest payable	0.5%	0.3%	0.3%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%
Other current liabilities	3.1%	2.4%	1.5%	1.8%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Total current liabilities	20.3%	16.5%	19.7%	16.4%	16.4%	16.4%	16.3%	25.4%	16.3%	16.3%
Long-term debt	32.6%	25.8%	21.8%	15.4%	16.9%	20.7%	22.1%	20.8%	20.3%	20.0%
Deferred income taxes	10.5%	8.0%	7.7%	7.3%	8.1%	9.9%	10.7%	10.1%	9.9%	9.7%
Other liabilities	1.6%	2.2%	3.5%	3.4%	3.9%	4.9%	5.4%	5.2%	5.2%	5.3%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total liabilities	65.0%	52.5%	52.7%	42.5%	45.3%	51.8%	54.5%	61.5%	51.7%	51.3%
Commitments and contingencies										
Minority interest	-0.3%	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Shareholders' Equity										
Common Stock	50.1%	30.3%	21.5%	20.2%	22.2%	27.0%	28.9%	27.3%	26.7%	26.5%
Treasury Stock (share repurchases)	-15.5%	-17.4%	-24.2%	-27.5%	-33.7%	-45.0%	-52.0%	-52.4%	-54.1%	-56.2%
Retained earnings	120.1%	131.2%	157.9%	186.3%	236.1%	313.5%	357.1%	358.1%	370.4%	386.0%
Accumulated other comprehensive income	-0.9%	-0.2%	-1.7%	-1.5%	-1.5%	-1.8%	-1.8%	-1.6%	-1.4%	-1.3%
Total shareholders' equity	153.7%	143.8%	153.5%	177.5%	223.0%	293.7%	332.2%	331.4%	341.5%	354.9%

Noble Corp.
Annual Cash Flow Statement
(in thousands)

	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	CV
Cash flows from operating activities										
Net income (loss)	731,866	1,206,011	1,560,995	1,608,883	1,347,316	1,044,090	944,714	1,040,982	1,097,844	1,135,095
Depreciation & amortization	253,325	292,987	356,658	414,083	471,155	520,533	572,133	626,512	686,148	746,536
Deferred income tax provision (benefit)	4,137	20,509	51,026	10,052	10,052	10,052	10,052	10,052	10,052	10,052
Share-based compensation expense	21,560	34,681	35,899	17,904	19,716	21,711	23,908	26,327	28,992	31,926
Hurricane losses & recoveries, net	-6,300	-5,114	10,000	-7,525	-7,041	-5,938	-5,713	-6,246	-6,600	-6,887
Other net income adjustments	4,923	13,583	-59,294	1,201	1,285	1,375	1,471	1,574	1,684	1,802
Accounts receivable	-131,014	-204,874	-31,725	-107,659	48,391	110,347	22,490	-53,368	-35,362	-28,717
Other current assets	-13,688	23,276	-18,237	-82,734	-19,639	-18,547	-32,526	-43,880	-42,258	-12,718
Accounts payable	53,746	-25,671	2,490	41,893	-19,356	-44,139	-8,996	21,347	14,145	11,487
Other current liabilities	70,160	58,985	-19,620	14,522	9,727	-12,138	-2,474	5,871	3,890	3,159
Net cash flows from operating activities	988,715	1,414,373	1,888,192	1,911,821	1,862,890	1,628,722	1,526,530	1,630,744	1,760,220	1,893,537
Cash flows from investing activities										
Capital Expenditures	-1,090,961	-1,241,783	-1,190,491	-1,212,500	-1,113,200	-1,197,900	-1,297,483	-1,451,595	-1,521,112	-1,577,526
Proceeds from sales of property and equipment	3,788	17,910	39,451	0	0	0	0	0	0	0
Repayments from joint venture	0	0	0	0	0	0	0	0	0	0
Investment in Smedvig	691,261	0	0	0	0	0	0	0	0	0
Investment in marketable securities, net	-100,118	0	0	0	0	0	0	0	0	0
Hurricane insurance receivables	0	0	21,747	0	0	0	0	0	0	0
Net cash flows from investing activities	-349,910	-1,223,873	-1,129,293	-1,212,500	-1,113,200	-1,197,900	-1,297,483	-1,451,595	-1,521,112	-1,577,526
Cash flows from financing activities										
Payments on bank credit facilities, net	-135,000	100,000	-100,000	-125,897	3,669	-280	27,721	335,232	47,574	18,472
Payments of other long-term debt, net	-313,169	-9,630	238,903	-172,698	-11,831	-12,660	-13,546	-14,494	-299,837	-16,594
Proceeds from issuance of ordinary shares, net	0	0	0	0	0	0	0	0	0	0
Net proceeds from employee stock transactions	21,186	46,472	9,304	9,769	10,258	10,771	11,309	11,875	12,468	13,092
Dividends paid	-21,825	-32,197	-244,198	-42,000	-44,940	-48,086	-51,452	-56,082	-60,569	-65,415
Repurchases of ordinary shares	-250,132	-195,797	-314,122	-200,000	-150,000	-150,000	-150,000	-150,000	-150,000	-150,000
Net cash flows from financing activities	-698,940	-91,152	-410,113	-530,825	-192,845	-200,255	-175,967	126,530	-450,364	-200,445
Net increase (decrease) in cash & cash equivalents	-60,135	99,348	352,253	168,495	556,846	230,567	53,080	305,680	-211,256	115,566
Cash & cash equivalents, beginning of period	121,845	61,710	161,058	513,311	681,806	1,238,652	1,469,219	1,522,299	1,827,978	1,616,722
Cash & cash equivalents, end of period	61,710	161,058	513,311	681,806	1,238,652	1,469,219	1,522,299	1,827,978	1,616,722	1,732,288

Noble Corp.

Weighted Average Cost of Capital (WACC) Estimation

WACC:			
Common Shares Outstanding	261,500		
Current Price	24.37		
Market Value of Equity	6,372,755	**87.1%**	
Market Value of Debt	941,882	**12.9%**	
Value of Capital (D + E)	7,314,637	100.0%	
Risk Free Rate		3.67%	30 Yr T-bond, Bloomberg
Market Premium (LT Ave, geo.)		5.00%	Henry Fund Consensus estimate
Beta		1.29	Taken from Bloomberg, 3 year weekly vs. S&P 500
Cost of Equity		**10.12%**	
Cost of Debt		7.44%	Yield on recently issued Noble debt, NBL.GF - Bloomberg
Cost of Debt, after tax		**6.03%**	
WACC		**9.59%**	

Noble Corp.
Value Driver Estimation
Fiscal Years Ending December 31

	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	CV
EBITA	938,134	1,494,376	1,861,918	2,005,737	1,677,255	1,302,604	1,180,112	1,299,583	1,370,399	1,416,814
Less: Taxes on EBITA										
Marginal Tax Rate	0	0	0	0	0	0	0	0	0	0
Total Income Tax Provision	189,421	282,891	351,463	377,392	316,037	244,910	221,600	244,181	257,519	266,257
Plus: Tax Shield on Interest Expense	3,330	2,491	834	2,983	1,905	1,964	2,025	2,087	2,167	2,218
Less: Tax on Interest Income	2,065	2,119	1,604	715	602	508	488	534	564	589
Plus: Tax on Nonoperating Income			1,900	-1,430	-1,338	-1,128	-1,085	-1,187	-1,254	-1,309
Less: Tax on Nonoperating Income	2,205	668	6,932	0	0	0	0	0	0	0
Taxes on EBITA	197,021	288,168	362,733	379,660	317,207	246,254	223,027	245,615	258,996	267,755
Plus: Change in Deferred Taxes	-8,068	21,100	24,397	10,052	10,052	10,052	10,052	10,052	10,052	10,052
NOPLAT	733,045	1,227,308	1,523,582	1,636,129	1,370,100	1,066,402	967,137	1,064,020	1,121,455	1,159,111
Operating Working Capital:										
Plus: Normal Cash (< 4.5% of Sales)	94,511	134,789	155,093	169,312	158,424	133,596	128,536	140,544	148,500	154,962
Plus: Receivables	459,806	667,306	683,906	766,015	741,733	628,966	600,959	653,203	691,233	721,718
Plus: Inventory	4,461	3,814	0	0	0	0	0	0	0	0
Plus: Prepaid Expenses	20,491	20,721	21,207	30,100	28,164	23,750	22,851	24,986	26,400	27,549
Less: Accounts Payable	196,111	198,395	259,107	301,000	281,643	237,504	228,508	249,856	264,000	275,487
Less: Accrued Expenses: Other	93,251	115,914	75,449	112,875	105,616	89,064	85,691	93,696	99,000	103,308
Less: Income Taxes Payable	52,793	85,641	107,211	113,218	94,811	73,473	66,480	73,254	77,256	79,877
Net Operating Working Capital	237,114	426,680	418,439	438,335	446,251	386,271	371,667	401,926	425,877	445,556
Net Property, Plant and Equipment	3,858,393	4,795,916	5,642,549	6,440,966	7,083,011	7,760,378	8,485,728	9,310,811	10,145,775	10,976,765
Other Operating Assets	21,635	18,488	18,395	18,763	19,139	19,521	19,912	20,310	20,716	21,131
NET INVESTED CAPITAL	4,117,142	5,241,084	6,079,383	6,898,064	7,548,401	8,166,171	8,877,307	9,733,047	10,592,368	11,443,452
NOPLAT	733,045	1,227,308	1,523,582	1,636,129	1,370,100	1,066,402	967,137	1,064,020	1,121,455	1,159,111
Invested Capital (Beginning)	3,146,931	4,117,142	5,241,084	6,079,383	6,898,064	7,548,401	8,166,171	8,877,307	9,733,047	10,592,368
ROIC (NOPLAT/Invested Capital)	23.29%	29.81%	29.07%	26.91%	19.86%	14.13%	11.84%	11.99%	11.52%	10.94%
NOPLAT	733,045	1,227,308	1,523,582	1,636,129	1,370,100	1,066,402	967,137	1,064,020	1,121,455	1,159,111
Net Investment (change in invested capital)	970,211	1,123,942	838,299	818,681	650,336	617,770	711,136	855,741	859,321	851,084
Free Cash Flow (NOPLAT - Net Investment)	-237,167	103,366	685,283	817,448	719,764	448,632	256,001	208,279	262,134	308,027
Invested Capital (Beginning)	3,146,931	4,117,142	5,241,084	6,079,383	6,898,064	7,548,401	8,166,171	8,877,307	9,733,047	10,592,368
ROIC	23.29%	29.81%	29.07%	26.91%	19.86%	14.13%	11.84%	11.99%	11.52%	10.94%
WACC	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%
EP (Invested Capital*(ROIC-WACC))	431,163	832,355	1,020,811	1,052,941	708,377	342,293	183,766	212,430	187,775	142,998
Cash on Hand	61,710	161,058	513,311	188,125	1,238,652	1,469,219	1,522,299	1,827,978	1,616,722	1,732,288
"Normal" Cash	94,511	134,789	155,093	169,312	158,424	133,596	128,536	140,544	148,500	154,962
Excess Cash	0	26,269	358,218	18,812	1,080,228	1,335,623	1,393,763	1,687,435	1,468,222	1,577,326
Short-Term Investments	0	0	0	0	0	0	0	0	0	0
Long-Term Investments	0	0	0	0	0	0	0	0	0	0
Non-Operating Assets	0	26,269	358,218	18,812	1,080,228	1,335,623	1,393,763	1,687,435	1,468,222	1,577,326

Noble Corp.
Discounted Cash Flow (DCF) and Economic Profit (EP) Model Valuation
Fiscal Years Ending December 31

Assumptions:	CV growth	2%
	CV ROIC	10.94%
	WACC	9.59%
	Cost of Equity	10.12%

			2009E	2010E	2011E	2012E	2013E	2014E	CV
DCF Model									
FCF			817,448	719,764	448,632	256,001	208,279	262,134	12,475,683
PV(FCF)			745,895	599,274	340,834	177,464	131,745	151,297	7,200,626
PV(FCF)	$	9,347,135							
+ PV(Non-Oper)	$	358,218							
- PV(Debt)	$	941,882							
- PV(Operating Leases)	$	18,395							
- PV(ESOP)	$	51,094							
PV(Equity)	$	8,693,982							
Shares Outst.		261,500							
Target Price	$	33.25	As of Last FY End						
	$	**34.23**	As of today, growth at cost of capital						
EP Model									
ROIC			26.91%	19.86%	14.13%	11.84%	11.99%	11.52%	10.94%
EP			1,052,941	708,377	342,293	183,766	212,430	187,775	1,883,314
PV(EP)			960,775	589,793	260,047	127,390	134,371	108,379	1,086,998
PV(EP)	$	3,267,752							
Invested Capital	$	6,079,383							
PV(Operations)	$	9,347,135							
+ PV(Non-Oper)	$	358,218							
- PV(Debt)	$	941,882							
- PV(Operating Leases)	$	18,395							
- PV(ESOP)	$	51,094							
PV(Equity)	$	8,693,982							
Shares Outst.		261,500							
Target Price	$	33.25	As of Last FY End						
	$	**34.23**	As of today, growth at cost of capital						

Noble Corp.

Sensitivity Analysis of Key Variables

MRP \ CV Growth	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
4.70%	$33.84	$34.12	$34.45	$34.81	$35.24	$35.72	$36.30
4.80%	$33.73	$33.99	$34.28	$34.61	$34.99	$35.43	$35.94
4.90%	$33.62	$33.86	$34.12	$34.41	$34.75	$35.14	$35.60
5.00%	$33.52	$33.73	$33.96	$34.23	$34.53	$34.88	$35.28
5.10%	$33.42	$33.61	$33.81	$34.05	$34.31	$34.62	$34.98
5.20%	$33.32	$33.49	$33.67	$33.88	$34.11	$34.38	$34.69
5.30%	$33.23	$33.37	$33.53	$33.71	$33.91	$34.15	$34.41

WACC \ CV Growth	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
8.84%	$34.26	$34.67	$35.12	$35.65	$36.25	$36.96	$37.81
9.09%	$34.00	$34.33	$34.70	$35.13	$35.61	$36.18	$36.86
9.34%	$33.75	$34.02	$34.32	$34.65	$35.04	$35.49	$36.02
9.59%	$33.52	$33.73	$33.96	$34.23	$34.53	$34.88	$35.28
9.84%	$33.30	$33.46	$33.64	$33.84	$34.06	$34.32	$34.63
10.09%	$33.10	$33.21	$33.34	$33.48	$33.64	$33.83	$34.04
10.34%	$32.90	$32.98	$33.06	$33.16	$33.26	$33.38	$33.52

BETA \ CV Growth	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
1.14	$36.87	$37.25	$37.67	$38.15	$38.71	$39.37	$40.14
1.19	$35.70	$36.01	$36.36	$36.76	$37.22	$37.76	$38.39
1.24	$34.58	$34.84	$35.13	$35.46	$35.83	$36.27	$36.78
1.29	$33.52	$33.73	$33.96	$34.23	$34.53	$34.88	$35.28
1.34	$32.51	$32.68	$32.86	$33.07	$33.30	$33.58	$33.89
1.39	$31.56	$31.68	$31.82	$31.98	$32.15	$32.36	$32.59
1.44	$30.64	$30.73	$30.83	$30.94	$31.07	$31.22	$31.38

VALUATION OF OPTIONS GRANTED IN ESOP

Ticker Symbol	NE
Current Stock Price	$24.37
Risk Free Rate	3.67%
Current Dividend Yield	0.70%
Annualized St. Dev. of Stock Returns	71.72%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
7.04 - 14.16	223	10.61	0.80	$ 14.35	$ 3,192
14.17 - 24.40	2,003	17.95	3.20	$ 13.86	$ 27,758
24.41 - 34.62	733	27.15	6.50	$ 15.24	$ 11,167
34.63 - 43.01	595	38.57	8.00	$ 15.08	$ 8,977
Total	3,554	$ 22.84	4.53	$ 14.75	**$ 51,094**

Operating and Capital Lease Obligations

Years Ended Dember 31, 2008	Operating Leases
2009	7,764
2010	6,046
2011	3,059
2012	477
2013	228
Thereafter	4,534
Total Minimum Payments	22,108
Less: Interest	3,713
PV of Minimum Payments	18,395

Noble Corp.
Relative P/E Analysis

Ticker	Company	Price	EPS 2009E	EPS 2010E	P/E 09	P/E 10
RIG	Transocean	$ 53.10	$13.54	$13.51	3.9	3.9
DO	Diamond Offshore	$ 55.45	$10.53	$10.77	5.3	5.1
ESV	Ensco Inc.	$ 23.42	$6.82	$5.59	3.4	4.2
PDE	Pride Intl.	$ 16.47	$2.82	$2.77	5.8	5.9
RDC	Rowan Cos.	$ 11.25	$3.33	$2.23	3.4	5.0
ATW	Atwood Oceanics	$ 13.83	$3.99	$4.70	3.5	2.9
				Average	**4.2**	**4.5**
NE	Noble Corp	$ 22.88	$6.33	$5.41	3.6	4.2

Implied Value:

Relative P/E (EPS09)	**$ 26.71**
Relative P/E (EPS10)	**$ 24.50**